

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 3287
INFO AMEMBASSY BRUSSELS
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AMEMBASSY LISBON
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AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
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SUBJECT: SWEDEN SIGNS STEEL PRICE AGREEMENT WITH COMMON MARKET

REF: STOCKHOLM 54

1. ACCORDING TO SWEDISH PRESS REPORTS, SWEDEN SIGNED A STEEL PRICING AGREEMENT WITH THE COMMON MARKET ON MARCH 8 WHICH CAME INTO IMMEDIATE EFFECT.

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2. ACCORDING TO A SWEDISH COMMERCE MINISTRY SPOKESMAN, THE TEXT OF THE AGREEMENT WILL NOT BE MADE PUBLIC UNTIL SIGNED BY ALL THE OTHER EFTA COUNTRIES INVOLVED. THE FOLLOWING IS BASED CHIEFLY ON AN ARTICLE IN SWEDISH BUSINESS WEEKLY AFFARSVARLDEN OF FEBRUARY 22, ON NEWSPAPER NOTICES, AND ON EMBOFF CONVERSATIONS WITH HANS VON DELWIG OF THE SWEDISH IRONMASTERS' ASSOCIATION.

3. UNDER THE AGREEMENT, SWEDEN HAS UNDERTAKEN TO OBSERVE THE EUROPEAN COAL AND STEEL COMMUNITY'S PRICE REGULATIONS, INTRODUCED ON JANUARY 1, THROUGH THE CURRENT YEAR. THE ECSC HOPES THAT THE REGULATIONS WILL RAISE THE PRICES OF VARIOUS STEEL PRODUCTS TO LEVELS WHICH CAN ENABLE STEEL MILLS WITHIN THE COMMON MARKET TO SELL AT ABOVE PRODUCTION COST PRICE.

4. THE ECSC REGULATIONS INVOLVE THREE TYPES OF PRICING ARRANGEMENT: A) MINIMUM PRICES, WHICH ARE MANDATORY, FOR CONCRETE REINFORCEMENT BARS, ORDINARY BARS AND RODS, AND HOT-ROLLED STRIP; B) GUIDANCE PRICES, WHICH ARE NOT MANDATORY, FOR VARIOUS OTHER COMMERCIAL STEEL PRODUCTS (ONE SOURCE SAYS SIX KINDS, ANOTHER TEN, NEITHER OF WHICH SPECIFY WHAT PRODUCTS ARE INVOLVED); AND C) BASE PRICES, WHICH WILL APPLY TO ALL COMMERCIAL AND SPECIALTY STEEL IMPORTS INTO THE COMMON MARKET. THE AGREEMENT REPORTEDLY STATES EXPRESSLY THAT TRADITIONAL FLOWS BETWEEN SWEDEN AND THE EC ARE NOT BE AFFECTED.

5. BY WAY OF COMPENSATING SWEDISH PRODUCERS FOR HIGHER TRANSPORTATION AND DOCUMENTATION COSTS, THE COMMON MARKET HAS AGREED THAT SWEDISH PRICES OF THE COMMERCIAL STEEL GRADES COVERED BY GUIDANCE PRICES MAY BE THREE PERCENT BELOW THOSE OF THE COMMON MARKET. VON DELWIG
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INDICATED TO EMBOFF THAT SOME EFTA PRODUCERS THOUGHT THIS MARGIN SHOULD HAVE BEEN TEN PERCENT.

6. THE AFFARSVARLDEN ARTICLE SAYS THE FOLLOWING HAS HAPPENED TO STEEL PRICES WITHIN THE COMMON MARKET SINCE THE INTRODUCTION OF THE NEW SYSTEM: NO CHANGE FOR REINFORCEMENT BARS, AN INCREASE OF 15-25 PERCENT FOR OTHER COMMERCIAL STEEL PRODUCTS, AND AN INCREASE OF ABOUT TEN PERCENT FOR SPECIALTY STEEL. SWEDISH PRICES OF REINFORCEMENT BARS ARE ABOUT ALIGNED WITH THOSE OF THE EC, BUT THE SWEDISH PRICES OF ORDINARY BARS AND RODS AND OF HOT-ROLLED STRIP WILL HAVE TO BE RAISED.

7. ON THE SPECIALTY STEEL SIDE, WHICH IS OF MUCH IMPORTANCE FOR SWEDISH EXPORTS TO THE COMMON MARKET, THE MAGAZINE SAYS IT IS PROBABLE THAT THE EC MILLS WILL SET THEIR PRICES AT LEVELS ABOVE THE BASE PRICES, WHICH ARE SIMILAR TO THE US TRIGGER OR REFERENCE PRICES. THIS WOULD GIVE THE SWEDISH MILLS AT LEAST SOME SCOPE TO COMPETE.

8. VON DELWIG COMMENTED IN THE PRESS: "THERE HAS BEEN

MUCH DISTURBANCE IN OUR TRADE WITH MOST COUNTRIES IN THE EUROPEAN COAL AND STEEL COMMUNITY SINCE THE BEGINNING OF THE YEAR. IT IS NOW OUR HOPE THAT THE AGREEMENT JUST SIGNED WILL COME TO THE IMMEDIATE ATTENTION OF THE CUSTOMS AUTHORITIES IN THE COUNTRIES INVOLVED SO THAT TRADE CAN FLOW SMOOTHLY AGAIN."

9. SWEDISH COMMERCE MINISTER STAFFAN BURENSTAM LINDER WAS ASKED BY ONE PAPER ABOUT THE THREAT OF THIRD-COUNTRY DUMPING IN SWEDEN: "THANKS TO THE STEEL SURVEILLANCE LICENSING SYSTEM WHICH SWEDEN INTRODUCED ON FEBRUARY 15 WE CAN FOLLOW IMPORT DEVELOPMENTS CLOSELY," HE REPLIED (SEE REFTEL). "IF WE FIND THAT SURPLUS QUANTITIES ARE BEING DUMPED ON THE SWEDISH UNCLASSIFIED

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MARKET, WE WILL BE FORCED TO TAKE FURTHER ACTION." SWEDEN CAN NOW ONLY WAIT AND SEE IF THE AGREEMENT OPERATES SATISFACTORILY, VON DELWIG THOUGHT, AND MENTIONED THAT TH COUNTRY COULD ASK FOR CONSULATATIONS WITH THE EC SHOULD THERE BE A DRASTIC REDUCTION IN TRADE FLOW.
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